Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

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PAGE 01 STATE 121711
ORIGIN TRSE-00

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 CEA-01 /076 R

TX-387

DRAFTED BY OASIA/IMM JTAYLOR
APPROVED BY EB/IFD/OMA:JABWINDER
TREAS:DSYVRUD
TREAS:FLWIDMAN
EUR/NE:WNEWLIN
----------086407 130622Z /16
R 121906Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY THE HAGUE

UNCLAS STATE 121711

E.O. 11652: N/A

TAGS: EFIN, US

SUBJECT:U.S. SALE OF FOREIGN CURRENCY SECURITIES
REF: THE HAGUE 1130
1. IN RESPONSE TO REFTEL, THE US PUBLIC POSITION IS THAT THE U.S. HAS NO INTENTION, AT THIS TIME, OF ISSUING FOREIGN CURRENCY DENOMINATED SECURITIES TO FINANCE THE CURRENT ACCOUNT DEFICIT. SUCH SALES WOULD NOT BE BENEFICIAL AS A MEANS OF FINANCING THE PAYMENTS DEFICIT. A STRONG DOLLAR REQUIRES THAT THE U.S. DEAL WITH THE FUNDAMENTAL
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ECONOMIC SITUATION AND NOT RELY ON FINANCING MECHANISMS.

2. THE REASONS FOR THIS POSITION ARE AS FOLLOWS:
(A) SALES OF FOREIGN CURRENCY DENOMINATED SECURITIES WOULD NOT BE EFFECTIVE AS THEY WOULD INDUCE ADDITIONAL DOLLAR OUTFLOWS AND DEMAND FOR FOREIGN CURRENCIES: THERE IS NO WAY TO SEGMENT CAPITAL MARKETS; EXISTING DOLLAR HOLDINGS -- DOMESTIC OR FOREIGN -- COULD BE USED TO PURCHASE THE FOREIGN CURRENCIES NEEDED TO ACQUIRE SUCH

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SECURITIES; AND SUCH TRANSACTIONS WOULD PLACE DOWNWARD PRESSURE ON THE DOLLAR AND OFFSET THE EFFECTS OF OUR SUBSEQUENT SALE OF THE FOREIGN CURRENCIES.

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(B) SALES THAT DISCRIMINATED AGAINST CURRENT DOLLAR HOLDERS WOULD BE SUBJECT TO STRONG POLITICAL OPPOSITION ON EQUITY GROUNDS. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
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Concepts: POLICIES, SECURITIES, CURRENCY SALES
Control Number: n/a
Copy: SINGLE
Draft Date: 12 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
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Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE121711
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Document Unique ID: 00
Drafter: IMM JTAYLOR
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780203-0404
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780561/aaaacacd.tel
Line Count: 70
Litigation Code IDs:
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Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c41d969f-c288-dd11-92da-001cc4696bcc
Office: ORIGIN TRSE
Original Classification: UNCLASSIFIED
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Original Previous Classification: n/a
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Reference: 78 THE HAGUE 1130
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Review Withdrawn Fields: n/a
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TAGS: EFIN, US
To: THE HAGUE
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